

## Message Text

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C O N F I D E N T I A L STATE 151185

FOL RPT BURSSLS 11652 SENT ACTION SECSTATE INFO PARIS, LONDON,  
BONN, OTTAWA, TEHRAN, ROME, TOKYO, THE HAGUE & JIDDA DTD 13 JUN 78

QUOTE: C O N F I D E N T I A L BRUSSELS 1  
1652

PARIS FOR TARNOFF FROM DICK MOOSE

E.O. 11652: GDS  
TAGS: CG, EAID, EFIN, PINS, MOPS  
SUBJECT: BRUSSELS MEETING ON ZAIRE'S ECONOMIC  
PROBLEMS: THE STATE OF PLAY, JUNE 13

1. THUS FAR DISCUSSIONS HERE HAVE CENTERED AROUND  
THE NEED FOR FUNDAMENTAL REFORMS ON THE PART OF  
THE ZAIRIANS IN THE WAY THEY MANAGE THEIR ECONOMY  
IF ASSISTANCE, IN WHATEVER AMOUNTS, IS TO BE FORTH-  
COMING AND EFFECTIVE. ALL AGREE THAT KEY CONTROLS  
OVER THE BUDGET, FOREIGN EXCHANGE REPATRIATION AND  
UTILIZATION, CUSTOMS EVASION AND OTHER AREAS MUST  
BE IMPLEMENTED. THE QUESTION BEFORE THE MEETING AS  
OF NOW IS WHETHER SOME OF THESE REFORMS SHOULD BE  
LINKED TO THE PROVISIONS OF "EMERGENCY ASSISTANCE"  
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OVER THE NEXT THREE MONTHS. WE ARE TAKING THE  
POSITION THAT THE IMPLEMENTATIONS OF FOREIGN EXCHANGE  
CONTROLS AND A SYSTEM TO ASSURE THAT FOOD AND OTHER  
EMERGENCY ASSISTANCE REACHES THE POOR AT  
AFFORDABLE PRICES SHOULD BE IN PLACE AT LEAST  
COINCIDENT WITH THE ARRIVAL OF SUCH ASSISTANCE.

2. WE HAVE GOTTEN ACROSS OUR POINT OF VIEW IN A VARIETY OF FORA. YESTERDAY AFTERNOON WE MET WITH THE BELGIANS WHO, WHILE THEY CONTINUE TO INSIST ON THE URGENT NEED FOR FOOD, PETROLEUM, MEDICINES AND SPARE PARTS, ALLOWED THAT SOME OF THIS ASSISTANCE, SPARES AND PETROLEUM MIGHT BE LINKED TO IMMEDIATE REFORMS. THE ZAIRIAN DELEGATION WITH WHOM WE MET LATE LAST NIGHT SAID THEY AGREED WITH OUR REASONING THAT FOREIGN EXCHANGE CONTROLS WERE SOMETHING THAT THEY SHOULD DO IN ANY EVENT AND THIS NEED NOT AWAIT THE ARRIVAL OF AN EXPATRIATE CENTRAL BANK DIRECTOR OR THE SIGNING OF A NEW STABILIZATION AGREEMENT WITH THE IMF. BUT WE ARE NOT CONVINCED THAT THE HEAD OF THE ZAIRIAN DELEGATION, BOKANA, WILL PRESS MOBUTU HARD ENOUGH FOR THIS IMMEDIATE REFORM. AS THE DEPARTMENT KNOWS, WE HAD HOPED THAT MOBUTU'S NEWLY APPOINTED ECONOMIC EMISSARY, BISENGIMANIA WOULD HEAD THE ZAIRIAN DELEGATION, BUT AT THE LAST MINUTE, MOBUTU DECIDED TO GIVE THE JOB TO BOKANA WHO IS MUCH MORE PLIABLE IN THE FACE OF PRESIDENTIAL WILL.

3. THIS LAST MINUTE SWITCH IN DELEGATION HEADS HAS RAISED QUESTIONS IN THE MINDS OF OTHER PARTICIPANTS, AND THIS PROBABLY ACCOUNTS FOR THE TOUGH LINE THAT THE BELGIANS HAVE TAKEN IN THE OPENING SESSION THIS MORNING. FOR EXAMPLE, THE BELGIAN MINISTER OF PLAN, CONFIDENTIAL

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MALDAGUE, ASKED BOKANA TO SPECIFICALLY CONFIRM AT SOME POINT DURING THE PROCEEDINGS THAT THE BUDGETARY CONTROLS ENVISAGED IN THE MOBUTU PLAN APPLIED TO MOBUTU'S SPENDING AS WELL. I ASSOCIATED OUR DELEGATION WITH THAT QUESTION AS WELL AS WITH POINTED ONES OF MY OWN RELATING TO FOREIGN EXCHANGE REPATRIATION AND CONTROL.

4. THIS AFTERNOON, THE GENERAL PROCEEDINGS WILL CONTINUE, BUT A WORKING GROUP WILL ALSO MEET ON THE SIDE TO GO OVER THE LISTS OF EMERGENCY IMPORTS THAT ARE REQUIRED OVER THE NEXT THREE MONTHS. OUR REPRESENTATIVES IN THAT GROUP WILL PRESS FOR REALISTIC FIGURES, AN ANSWER TO THE QUESTION OF HOW ZAIRE INTENDS TO USE ITS OWN FOREIGN EXCHANGE TO ADDRESS EMERGENCY AND OTHER NEEDS, AND LASTLY WE WILL PURSUE OUR VIEW THAT CERTAIN MINIMUM REFORMS MUST BE PUT IN PLACE BEFORE SUCH ASSISTANCE CAN BE EFFECTIVE.

5. AS I LOOK DOWN THE ROAD, I SEE STRONG PRESSURES ON US AND OTHER DONORS TO COME UP WITH SIGNIFICANT AMOUNTS OF ADDITIONAL ASSISTANCE, NOT JUST EMERGENCY

HELP, BUT FOR THE MEDIUM AND LONGER TERM AS WELL. THE BELGIAN, THE IMF AND THE WORLD BANK REPRESENTATIVES EMPHASIZED THE DISASTROUS STATE OF THE ZAIRIAN ECONOMY AND CALLED FOR MASSIVE AMOUNTS OF FOREIGN ASSISTANCE, ALBEIT PREDICATED UPON FUNDAMENTAL REFORM. THE IBRD REP, FOR EXAMPLE, SAID THAT \$200-300 MILLION IN NEW ASSISTANCE WOULD BE REQUIRED THIS YEAR ALONE WITH ANOTHER \$400 MILLION AND \$900 MILLION REQUIRED IN 1979 AND 1980 RESPECTIVELY. THIS, IN ADDITION TO DEPT RESCHEDULING DURING THESE YEARS. INDEED, WE HAVE LEFT THE IMPRESSION THAT THE FREEING OF OUR SHORT-TERM ASSISTANCE (PL 480 AND SSA) DEPENDS UPON PROMPT REFORMS. OBVIOUSLY, WE ARE CONFIDENTIAL

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MAKING NO COMMITMENTS WHATSOEVER.

6. WE INTEND TO INSIST UPON A VERY CONSERVATIVE LINE AT THE PRESS BRIEFING WHICH THE BELGIANS WILL HOLD THIS EVENING. IN ESSENCE, WE WOULD HAVE THEM SAY THAT THE PARTICIPANTS ARE REVIEWING THE ECONOMIC SITUATION, INCLUDING ASSISTANCE REQUIREMENTS AND NEEDED REFORMS, BUT THAT THIS IS NOT A PLEDGING SESSION. DELEGATES WILL REPORT BACK TO THEIR GOVERNMENTS. CHAMBERS UNQUOTE CHRISTOPHER

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